

TENNESSEE REGULATORY AUTHORITY



Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

July 16, 2003

Joe A. Conner, Esq.
Misty Smith Kelley, Esq.
Baker, Donelson, Bearman & Caldwell, P.C.
1800 Republic Center
633 Chestnut Street
Chattanooga, TN 37450-1800

*Re: Joint Petition of Tennessee-American Water Company and Marion County, Tennessee
for Approval of Purchase Agreement*

Docket No. 03-00388

Dear Mr. Conner and Ms. Kelley:

A Joint Petition was filed with the Tennessee Regulatory Authority ("TRA" or the "Authority") by Tennessee-American Water Company ("TAWC") and Marion County, Tennessee ("Marion County") for approval of a purchase agreement on June 12, 2003. In order to complete the processing of the Petition, the Authority requests the following information regarding the proposed purchase agreement:

- 1) Has the proposed purchase agreement been approved by all necessary representatives of Marion County?
- 2) What is TAWC's reason for proposing to adopt the current rate structure for the Suck Creek System?
- 3) Why are the application fees in the rate structure different for renters and homeowners?
- 4) Please provide the rate base currently in use for the Suck Creek System, as well as the accounting records supporting the value of the rate base.
- 5) If TAWC is to purchase the Suck Creek System, why is it necessary for TAWC to execute an Operations and Maintenance Agreement ("O&M") with Marion County?

- 6) Does TAWC's stated intention to keep all revenues and expenses separate from its other operations mean that the Suck Creek System will also be kept separate for ratemaking purposes?
- 7) Is it necessary to the provision of quality water service to the Suck Creek System customers to connect the system to the Lone Oak Utility District in Sequatchie County, Tennessee, or is this a convenience? If it is a convenience, are funds from the Community Development Block Grant properly used to execute it? How much of the combined interconnection investment is expected to be reflected in the Suck Creek System's rate base?

Please submit the requested information by July 25, 2003. If you have any questions, please contact Rosie Naccarato at 615-741-2904 ext. 156.

Respectfully,



Aster Adams
Chief, Economic Analysis and Market Monitoring Division

- c. William F. L'Ecuier (TAWC), John Harvey Cameron (Marion County), Russell Perkins (CAD), Mike Gaines, Butch Phillips, Rosie Naccarato, Eddie Roberson, Richard Collier, Kim Beals, ~~Records & Records (Booklet No. 00000000)~~